



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

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BULLETIN NO. 82-7

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: 1982 Limitations on Loan Guarantee Commitments

1. Purpose. This Bulletin provides instructions on treatment of 1982 limitations on loan guarantee commitments in the 1983 Budget, where the level of commitments is estimated to be less than the enacted limitation.

2. Authority. The Budget and Accounting Act, 1921, as amended.

3. Background. In the 1981 Budget, a system for controlling Federal direct loans and loan guarantees through the enactment of limitations in appropriations acts was established. Under this system, annual ceilings are recommended to the Congress on credit programs that in most cases are limited otherwise only by provisions in authorizing statutes. Authorizing statutes generally specify eligibility criteria and in some cases the amount of direct loans or loan guarantees that may be outstanding at any time. Limitations in appropriations acts specify the maximum amount of Federal credit that may be extended during the year. Other factors, such as the absence of qualified applicants, may result in a lesser amount of credit actually being extended.

On November 5, 1981, the President directed the heads of certain agencies to prepare plans for achieving reductions in 1982 new commitments for Federal loan guarantees (see attachment). One of the President's objectives was to promote administrative practices to ensure that only qualified applicants receive Federal loan guarantees. Consistent with this objective, applicants should be required to meet those criteria dictated by sound financial management principles that can be applied within the bounds of the pertinent legal authority. The criteria, among other things, should preclude Federal guarantees when credit can be obtained without them and establish equity, collateral, and coinsurance requirements. Because of the importance of achieving the reductions quickly and because the appropriations process was already far advanced, the President requested that administrative action to achieve the reductions be taken whenever possible. In the further continuing resolution for 1982 (P.L. 97-92,

section 136), the Congress expressed its agreement with the President's policy that guarantees or insurance should be extended only to qualified applicants.

In furtherance of his policy, the President will request that the Congress enact revised loan guarantee limitations for 1982. The amounts proposed will be lower, but will be sufficient to fulfill the purpose of the guarantee programs under rigorously applied criteria.

4. Coverage. This Bulletin applies to all loan guarantee programs for which limitations were enacted either specifically in appropriations acts or in effect in the further continuing resolution (P.L. 97-92).

5. Definitions. The terms commitment and loan guarantee are defined in OMB Circular No. A-11 (revised), section 33.2.

6. Policy. Supplemental appropriation language proposing a lower limitation for 1982 guarantee programs will be transmitted with the 1983 Budget where the amount of new commitments in 1982 is estimated to be less than the amount of the limitation described in paragraph 4 and the lesser amount is expected to result for reasons other than the absence of qualified applicants. OMB approval is required for exceptions.

7. Action required. For each affected budget account, the responsible agency will accomplish the following actions (references are to sections of OMB Circular No. A-11, revised):


a. Submit proposed appropriations language (as prescribed in section 31.5) to be printed in Part III of the Appendix to the budget that includes the revised amount (underscore language, to be printed in italics).

b. Ensure that the schedule on status of loan guarantees appearing in Part I of the Appendix includes the amount of the reduction on line 2190, Unused balance of limitation, expiring, and that line 2110, Limitation on commitments, is footnoted to read "A limitation in the amount of \$xxx thousand is proposed for FY 1982; see Part III for additional information." (The footnote, "See Part III for additional details" should also follow the appropriation language in Part I.)

8. Timing. The above actions must be completed concurrently with the next submission of Budget Appendix galley proofs or page proofs to be submitted to OMB subsequent to the date of this Bulletin.

9. Information contact. Agencies should contact their OMB budget examiner.

10. Sunset review date. This Bulletin expires concurrently with the transmittal to Congress of the 1983 Budget.

A handwritten signature in black ink, reading "David A. Stockman". The signature is written in a cursive style with a horizontal line extending from the end of the name.

David A. Stockman
Director

Attachment